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Retford Currency Society

Currency, agriculture and
free trade

London

1851

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No. 1.

CURRENCY, AGRICULTURE, & FREE TRADE.

THE CURRENCY QUESTION has generally been spoken of as a very difficult one. Englishmen have, however, long been in the habit of considering difficulty as something to be overcome; and if the common sense of the country be fairly applied to this subject, there is no fear that it will soon be well understood.

The Currency Question, as it is called, relates to the laws which have been made about money; and as every man has more or less to do with money, every man is interested in the Currency Question. If unwise laws are made about any article of trade or commerce, such as timber or sugar, all those who trade in these articles are directly and injuriously affected, and other persons are indirectly sufferers, though to a less extent; for unwise laws, ultimately, benefit no one, and injure every body. But if unwise laws are made respecting money, every individual and every interest in the country is immediately affected. And though unjust and unwise money laws may appear for a time to benefit some as much as they injure others, yet in the end, it will be found that *all* suffer from them. England, with her dense population, her widely extended commerce, her expensive and artificial system of agriculture, and her immense load of debt, is more susceptible than any other nation of the effects of unsound legislation respecting her monetary system.

The present money laws are believed, by many persons who have given much attention to the subject, to be unsound in principle and ruinous in practice.

Since the Act of 1819 was passed, every class in the country has, at intervals, been subjected to most severe distress. This distress has been caused by diminishing the money, or circulating medium, of the country, and lowering prices; and the removal of the distress has been caused by increasing the money of the country, and raising prices—high prices and prosperity have gone together, and low prices and distress. And the reason of this is, principally, that we have an enormous debt—of which the larger part was contracted in paper money and with a high scale of prices—a debt which could never have been contracted in any but paper money. The debt at the commencement of the French war, in 1793, was £239,350,148,—the debt contracted during the war was £608,932,329*. Having to pay annually a sum of nearly £30,000,000, as interest of this debt, the English people, with all their efforts, cannot do it without a sufficient quantity of paper money, and a sufficiently high scale of prices. The necessity for high prices in this country arises from this cause, that to the *cost* or *value* of every article produced, whether iron, corn, cotton, or cattle, the producer must add the share which he pays of *taxes*, before he can derive any profit. A man who works in the forge, or on the farm, labours so many hours for himself, and so many hours for his country. The fair *price* of what he makes, is the value of his labour, *added* to the proportion of the taxes paid by him while labouring. Now, by diminishing the money of the country, by contracting the circulation, prices are forced down—and thus the the taxes absorb so large a proportion of the price at which all articles are sold, that no fair remuneration remains for the labourer. In speaking of the labourer, the master is included as well as the man: the man whose head directs, as well as the man whose hand works. But if it be true that a high

* McCalloch's Dictionary of Commerce.

scale of prices is necessary in this country, to afford a fair remuneration to the manufacturer of every article, it is more particularly the case with the farmer: for this reason. By the application of machinery and science, almost every article of trade may be produced with less labour, and consequently, cheaper, than before, and to an almost unlimited extent. A very small profit therefore on each article, when an immense quantity of goods is manufactured, yields a remunerating profit on the whole. But after machinery and science have done all they can for the farmer, there is a limit, which he cannot pass, in growing corn and feeding cattle. If he endeavours to pass this limit, the expense becomes so great that he can realize no profit. And all this becomes still more forcibly illustrated under the Free Trade system. Free Trade makes the evil of our money laws plainer than ever. For as by the Acts of 1819 and 1844, we engage to supply all the world with gold at £3. 17s. 10½d. an ounce—which is its untaxed, continental price—it becomes the interest of the foreign merchant to receive payment in gold, rather than in commodities, because he gets gold from us at his own, comparatively, untaxed price; but if he takes manufactured goods, he must take them at our highly taxed price—he will therefore prefer taking gold, and buying the goods he wants in some country where, taxes being lower, they can afford to sell at a lower price: and this he will do till the prices of English manufactured goods are forced down to the Continental or American level. The English manufacturer must suffer, and will suffer severely, under this system. But the English farmer will suffer soonest, and will suffer most. He will suffer soonest—for land in America, and on the Continent, may be made to produce considerable crops of corn, long before the manufacture of goods can be successfully transplanted, to any very great extent, from this country to another. He will suffer most—because, as was before said, with all the aid of capital, science, and machinery, and all his own industry, perseverance, and intelligence, the supply of produce which the

farmer can bring to market must, from its nature, be limited. But both manufacturer and agriculturist must suffer; and the injury inflicted on each class will re-act and increase the suffering of the other. Corn and cattle, and every description of goods, will be brought to this country, and gold—or goods reduced in price to their *gold value*—will be taken away.

Now what is the remedy for this state of things?

I. It is to alter the law respecting gold. The **FIXED PRICE OF GOLD IS THE GREATEST EVIL OF THE EXISTING SYSTEM.**

As long as the foreign merchant can demand payment for what he sells to us *in gold at a fixed price*, he has an unfair advantage in every bargain he makes. Let gold rise and fall in price, according to the supply and demand in the English market, and we shall then deal with the foreigner on fair terms. It is only in this manner that a highly taxed and deeply indebted country like ours, can deal on equal terms with countries less highly taxed and less burdened with debt. But the doing away with the law which fixes the price of gold would have another most important and beneficial effect. When any amount of gold is withdrawn from the country, the Bank, to protect itself, is immediately obliged to lessen its circulation of notes—so that when money is most wanted for the fair and needful operations of trade, then the Bank is forced to diminish its issues to the utmost. The depression and ruin occasioned by this course can hardly be estimated. Mills are stopped—workmen by thousands are thrown out of employment—merchants who were rich, find themselves beggars—funds and shares are depreciated in value—every contract between man and man is violated—prices are pressed down to a ruinous level—and the whole country is thrown into disorder—till by the sacrifice of enormous quantities of our goods at any price that can be got for them, and by a practical suspension of the Acts of 1819 and 1844, a few millions of gold are brought back into the country. All these evils, which were so

forcibly exemplified in 1847, will recur with increased violence under the Free Trade system, and will be felt by the agriculturist to an extent of which he has as yet had no experience.

Were the law which fixes the price of gold abolished, these evils would at once be prevented.

II. But if gold were allowed to find its price in the market like other commodities, it would be necessary to provide a substitute for *home circulation*.

This might be done in various ways. Pitt did it, during the war, by the Act which restricted the Bank from paying its notes in gold at a fixed price. It might be done by allowing the Bank to issue notes on government securities, when a drain of bullion occurs; and by giving the Bank power to refuse to purchase more gold, at the fixed price when it has a large stock in its coffers. This would prevent panics on the one hand, and over speculation on the other; and an adequate circulation of paper being provided, prices would rise to their fair level. But there is perhaps no plan more simple in its operation and correct in principle than the establishment of a National Paper Money, of £1. and upwards, based on the revenue of the country, and never exceeding the amount of the annual taxation. Such money being receivable for taxes, would be as safe as the government could make it. It would never be too much. It would never depreciate in value. It would not be hoarded. It would not be exported. It would be issued in payment of public works and services, and in discharge of the interest of the debt, and it would return gradually for payment of taxes, and be cancelled. It is the business of those who administer the affairs of the country, and who manage its finances, to supply the details of such a plan and the best method of its practical working. But it is the business of all classes in the country to advocate the extreme importance of having a safe, abundant, and unfluctuating Paper Currency. This would secure to both the manufacturer and the farmer a remunerating price for the commodities in

which each of them deals ; for, in such a Currency, commodities would rise to their fair *price*—a *price* which would include the *cost* of production, and the proportion of *taxes* paid by each as a producer. The manufacturer would also have a good home market for his goods, and the farmer a good home market for his corn and cattle. The farmer would obtain a better and more certain average price for his produce than he has ever obtained since the passing of the Act of 1819. In 1822 and 1823, corn fell to 45s. and 50s. a quarter, (5s. 7d. and 6s. 3d. a bushel) ; and in 1834 and 1835, to 40s. and 45s. a quarter, (5s. and 5s. 7d. a bushel) ;* but under the proposed alteration of the Currency Laws, corn would, in common with every other commodity, rise to a good remunerative price. And what is more, the country, with rising markets and extending commerce, would cheerfully pay this price. With returning prosperity, the revenue would also improve, and taxes might be certainly and gradually removed, in the best of all possible ways, viz.—by the payment of a considerable portion of the debt, and the consequent reduction of the amount of interest annually drawn from the nation.

Nothing can save a country from ruin which persists in an unsound financial system. A period has arrived, when we must either advance to the highest position of national greatness, or retrograde into a declining state : and the issue will depend on the measures now adopted with respect to the great Monetary and Financial Question of the time—THE CURRENCY QUESTION.

* The low price of corn at any particular period is not, of course, a sufficient evidence of the depression of the Agricultural interest, as an abundant crop yields a good profit at a low price. The Petitions presented from every part of the kingdom, and the Committees repeatedly appointed by Parliament to enquire into the causes of the Agricultural distress, *since the passing of the Act of 1819*, prove how severe that distress has been.

**END OF
TITLE**